

Message Text

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ACTION EUR-12

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CIAE-00 COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 FEA-01 DODE-00
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PASS AGRICULTURE AND STR ELECTONICALLY

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJECT: SUPPLEMENTARY INFORMATION FOR THE GATT XXIII:2 PANEL
ON THE EC'S COMPULSORY PURCHASE SCHEME FOR NFD

REF: (A) GENEVA 1251, (B) EC A-70, (C) EC BRUSSELS 1515,
(D) EC A-30, (E) 76 EC A-420, (F) 76 EC A-255

1. SUMMARY: THE MISSION ESTIMATES THAT OVER 95 PERCENT OF THE
SURETY DEPOSITS COLLECTED UNDER THE NFD COMPULSORY PURCHASE
SCHEME DERIVED FROM IMPORTS. THIS FIGURE SHOULD BE USEFUL IN
REFUTING EC ASSERTIONS THAT THE SCHEME APPLIED EQUALLY TO IMPORTS
AND DOMESTIC PRODUCTS. DOMESTIC PRODUCERS PAID THE SURETY
BECAUSE OTHERWISE THEY WOULD HAVE LOST A MORE SIGNIFICANT SUBSIDY.
END SUMMARY.

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2. A KEY ELEMENT OF THE EC'S ARGUMENT, ADVANCE AT THE FIRST
MEETING OF THE GATT XXIII:2 PANEL (REF. A), THAT THE COMPULSORY
PURCHASE SCHEME COULD BE JUSTIFIED UNDER GATT ARTICLE II(2)(A)
IS THE ASSERTION THAT THE SCHEME WAS APPLIED EQUALLY TO
DOMESTIC AND IMPORTED PRODUCTS. IT WILL BE RECALLED THAT THE
BASIC EC REGULATION ESTABLISHING THE COMPULSORY PURCHASE SCHEME
PROVIDED THAT THE PAYMENT OF EXISTING EC SUBSIDIES FOR RAPESEED,

SUNFLOWERSEED, LINSEED, SOYBEANS AND DEHYDRATED FORAGE PRODUCTS WOULD BE CONDITIONAL UPON PAYMENT OF A SECURITY OR DEPOSIT OF THE SAME AMOUNT AS THAT APPLIED TO IMPORTED PROTEIN PRODUCTS. EC IMPLEMENTING REGULATIONS FURTHER SPECIFIED THAT DEPOSITS HAD TO BE POSTED, WITH RESPECT TO DOMESTIC RAPESEED AND SUNFLOWERSEED, WHEN THESE PRODUCTS WERE PLACED UNDER CONTROL OF THE CRUSHERS. WITH RESPECT TO SOYBEANS AND LINSEED, DEPOSITS WERE TO BE POSTED AT THE TIME OF APPLICATION FOR EC SUBSIDIES. SUBSIDIES ON DEHYDRATED FORAGE PRODUCTS WERE TO BE POSTED AT THE LATEST AT THE TIME OF LEAVING THE DEHYDRATION PLANT.

3. IT APPEARS THAT EC SUBSIDIES ON RAPESEED AND SUNFLOWERSEED AND ON DEHYDRATED FORAGE PRODUCTS WERE PAID THROUGHOUT THE PERIOD OF PERATION OF THE COMPULSORY PURCHASE SCHEME (APRIL 1, 1976 TO OCTOBER 31, 1976 WITH RESPECT TO DOMESTIC PRODUCTS). ALSO, THESE SUBSIDIES WERE AT HIGH ENOUGH LEVELS DURING THIS PERIOD TO FORCE PARTICIPATION IN THIS SCHEME--I.E., THE SUBSIDIES WERE CONSIDERABLY HIGHER THAN THE DEPOSIT REQUIREMENT AND THUS IT WOULD HAVE BEEN TO THE BENEFIT OF EC PRODUCERS TO POST A DEPOSIT RATHER THAN FOREGO THE SUBSIDY. SUBSIDIES ON RAPESEED RANGED FROM 39 U.A./TONE TO 100 U.A./TON DURING THE PERIOD OF OPERATION OF THE COMPULSORY PURCHASE SCHEME (AS COMPARED WITH A DEPOSIT REQUIREMENT OF 11.9 U.A./TON). THE SUBSIDIES ON SUNFLOWERSEED RANGED FROM 39 U.A./TON TO NEARLY 68 U.A./TON DURING THIS PERIOD (AS COMPARED WITH ASURETY REQUIREMENT OF 10.5 U.A./M.T.). THE SUBSIDY FOR THE DEHYDRATED FORAGE PRODUCTS WAS SET AT 9 U.A./TON AS COMPARED WITH A DEPOSIT REQUIREMENT OF 4.5 U.A./TON.

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4. THE SUBSIDIES FOR LINSEED AND SOYBEANS FOR THE 1976/77 YEAR WERE NOT FIXED UNTIL RECENTLY --WELL AFTER THE TERMINATION OF THE COMPULSORY PURCHASE SCHEME. THESE SUBSIDIES, APPROXIMATELY 59 U.A./M.T. FOR LINSEED AND 82 U.A./TON FOR SOYBEANS (REFS. B AND C), ARE HIGH ENOUGH TO HAVE JUSTIFIED EC PRODUCER PARTICIPATION IN THE DEPOSIT SCHEME. HOWEVER, SINCE APPLICATIONS FOR THESE SUBSIDIES DID NOT HAVE TO BE MADE UNTIL DECEMBER 31, 1976, IT IS PROBABLE THAT NO APPLICATIONS FOR THESE SUBSIDIES WERE SUBMITTED UNTIL THE END OF THE COMPULSORY PURCHASE SCHEME. IN ANY CASE, EC PRODUCTION OF LINSEED AND SOYBEANS IS NEGLIGIBLE.

5. THE COMMISSION HAS INDICATED THAT TOTAL SURETY COLLECTIONS UNDER THE COMPULSROY PURCHASE SCHEME WERE EQUIVALENT TO MORE THAN 8.6 MILLION TONS OF SOYBEAN MEAL (REF.D); THIS WOULD MEAN THAT DEPOSITS TOTALED ABOUT 232.2 MILLION U.A. WE HAVE ROUGHLY CALCULATED THAT SURETIES COLLECTED ON DOMESTIC PRODUCTS ACCOUNTED FOR LESS THAN 5 PERCENT OF THIS TOTAL, AS SHOWN BELOW. THE FIGURES FOR RAPESEED AND SUNFLOWERSEED WERE GIVEN TO US ON A CONFIDENTIAL BASIS AND SHOULD BE REASONABLY ACCURATE.

THE FIGURES FOR DEHYDRATED FORAGE PRODUCTS ARE MISSION ESTIMATES BASED ON THE COMMUNITY'S ESTIMATE THAT SUBSIDIES WERE PAID ON ABOUT 1.3 MILLION TONS OF DEHYDRATED FORAGE PRODUCTS IN 1976. SINCE THE DEPOSIT REQUIREMENT WAS REMOVED FROM MOST DEHYDRATED FORAGE PRODUCTS AS OF SEPTEMBER 1 (REF. 3), AND SINCE EVEN BEFORE THAT THERE WERE CERTAIN EXEMPTIONS FOR FORAGE PRODUCTS UNDER THIS SCHEME (REF. F), THE 1 MILLION TON ESTIMATE IS PROBABLY HIGH. THE ESTIMATES FOLLOW:

DOMESTIC OIL SEED BROUGHT UNDER
CONTROL OF THE CRUSHERS X DURETY DEPOSIT MILLION U.A.
(U.A./M.T.)

RAPESEED - 410,000	11.9	4.9
SUNFLOWERSEED - 50,000	10.5	0.5

ESTIMATED TONNAGE OF DEHYDRATED
FORAGE BENEFITTING FROM EC

SUBSIDIES - 1 MILLION TONS	4.5	4.5
TOTAL	9.9	

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DISCUSSIONS WITH COMMISSION OFFICIALS LEAD US TO BELIEVE THAT THE ABOVE ESTIMATE IS CLOSE TO THE MARK.

6. MORE DETAILED MATERIAL REGARDING THE APPLICATION OF THE COMPULSORY PURCHASE SCHEME TO DOMESTIC PRODUCTS WILL BE HAND-CARRIED TO GENEVA BY ROSINE PLANK AT THE TIME OF THE NEXT PANEL ON MIP'S, WHICH IS SCHEDULED FOR MARCH 3. HINTON

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Disposition Approved on Date:
Disposition Case Number: n/a
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